

## Questions and Responses Regarding RFI #0634-224

1. Can we have an extension on the RFI response date?

Because the responses will not be reviewed until the Monday following the original date (August 4<sup>th</sup>, 2006), submission by 8:00 AM, PST on Monday, August 7<sup>th</sup>, 2006 is acceptable.

2. How are invoice details related to the payroll process? Do invoices initiate the payroll process?

An invoice is preceded by an authorization that has to be active in the claims and invoice payment system (currently SSPS; ProviderOne in the future) in order to be paid. The details of the invoice will vary depending on the collective bargaining contract (IPs or Child Care). Based on the authorization, the provider is sent a "draft" invoice, which is actually a claims document ("timesheet") that the provider must return for payment. It shows each client and service for which the provider is approved for payment, the maximum number of units of service for which the provider can be paid, and the rate of payment per unit. The future format might include ProviderID (employee), ClientID (employer), services rendered, hours rendered, vacation leave taken, etc. Per Washington law, the provider has up to a year to make a claim for payment.

The provider calls in or sends the verified invoice (claim) for service hours provided for a month and it initiates the payroll (payment) process. For Individual Providers the hours will be categorized as service hours worked and leave hours taken. The types of hours reported can change depending on what is negotiated.

Once the provider has verified their claim information, the application adds the wages together for all claimed services and subtracts client participation (the amount of the wages the client is responsible to pay the provider directly) to arrive at gross pay. Then the application removes deductions to arrive at net pay.

3. When will ProviderOne be implemented?

ProviderOne is planning a phased implementation over 2 years. Estimated implementation of Phase 1, medical claims processing, is scheduled for 12/2007. Social service provider payments, the portion of the project relevant to payroll processing, will be phased in with 5 implementation groups over 2 years after completion of Phase 1. The final Phase 2 implementation group is estimated to be complete by 12/09. When the payroll processing portion of the project would be implemented would have to be negotiated based on availability of the interface and supporting functionality in ProviderOne during Phase 2.

4. Are the terms of the various collective bargaining agreements the same or do they differ. If there is differentiation, how many different types of agreements are currently available?

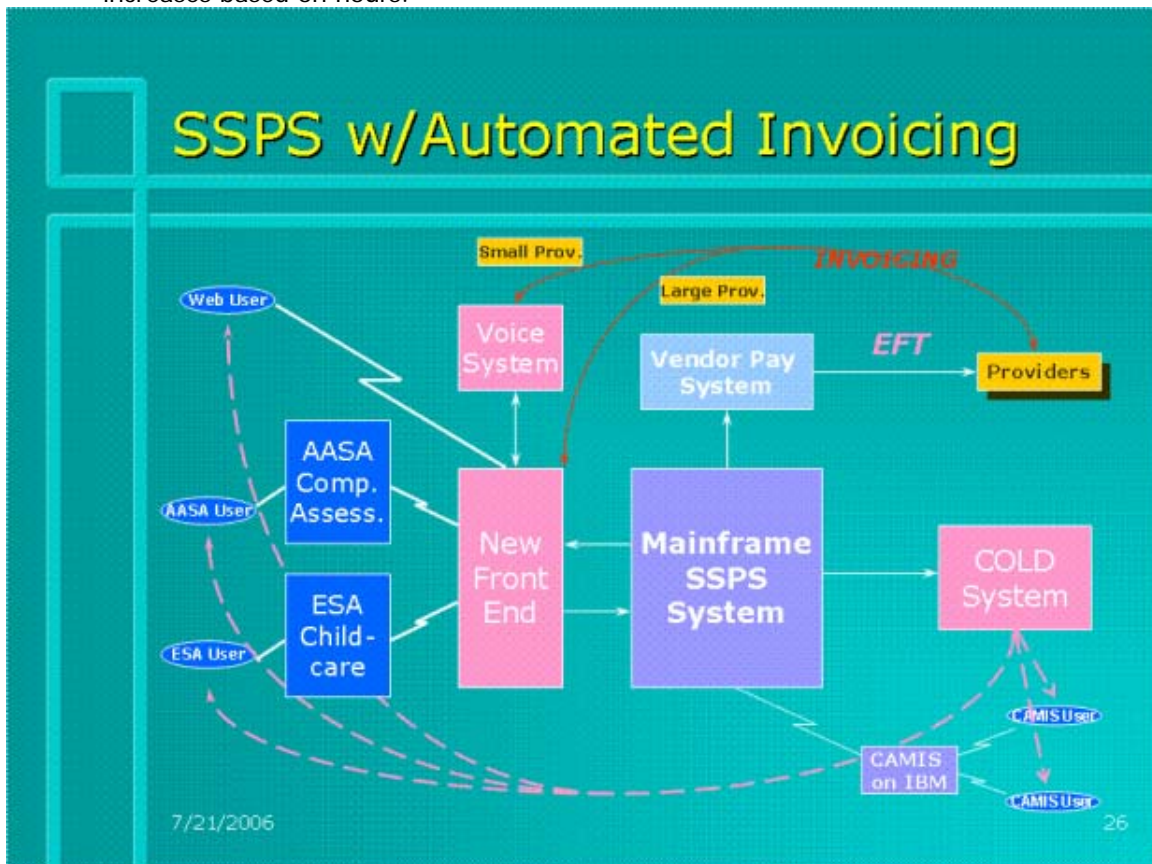
There are currently two unions:

1. SEIU 775 for long-term-care Individual Providers (IPs) and
2. SEIU Local 925 for Family Home Child Care Providers.

The 03-05 and 05-07 collective bargaining agreements (CBA) for SEIU 775/IPs are in effect and the 07-09 CBA is being developed. At the same time, the first CBA for SEIU Local 925 and the child care providers is being developed. All of these CBAs are different, and we will not know the extent of benefits and compensation requests until negotiated.

5. Can you provide a document detailing all current system and business process flows across applications and business units?

The following slide shows the basics of the current Social Service Payment System, but we are in the process of implementing income tax withholding and seniority wage increases based on hours.



6. What is the hierarchical structure of the organization?

See organization chart.

7. Requirement # 13 talks about payment by employers, what exactly is the applications responsibility as it relates to the "employer"? Is the application supposed to "bill" the employer/clients for their statutory obligations?

Per the IRS, the “employer” is the client who receives services and the “employee” is the provider who delivers services. There are no billing transactions between the client and DSHS, or the client/employer and the provider/employee. The client/employer is a person eligible to receive Federal and State assistance for in-home care. The client selects their provider/employee (criteria must be met first). DSHS pays the provider/employee on behalf of the client within the assistance program funding.

DSHS’s intent is that the payroll system will receive a timesheet or some other data feed electronically from the DSHS invoice processing system. This electronic feed would trigger the payroll system to process the provider’s payment as noted above (Question #2).

Note: Payment for each “employer” (i.e., client) can be rolled up into one check per payroll period. However, for the purposes of W-2 processing, the IRS requires a single W-2 per employer-employee relationship (i.e., each provider receives a separate W-2 for each client (employer) for which they provide services. The client shows on the W2 as the employer. Each client-provider employment relationship is maintained separately for federal and state payroll taxes and benefits.

DSHS serves as the Third Party Payor and is responsible for handling all payroll functions on behalf of the employer. DSHS is looking for the payroll company to make the applicable tax deposits, medical payments, garnishment payment, etc. on its behalf. The payment made by the payroll company would be for both the provider (employee) and employer contributions. The Application would remove the applicable deduction from the provider wages and forward those deductions to Labor and Industries, Social Security Administration, or other agency. The Application would also send a payment file back to DSHS, who would handle the state share of those benefits.

7. As it relates to 1099ers, is it correct to assume that requirements such as 11, 12, etc. are not applicable.
  - Some of the items in #11 are applicable to 1099 recipients. For example, garnishments, union dues, and levies would apply. Legal policies around other benefits such as health care are in the process of being developed, investigated, and clarified.
  - Item #12 would not be applicable to 1099 providers at this time. (This may change with future agreements, such as the child care agreement.
  - Item #13 would be applicable if DSHS needs to take backup withholding from the 1099 provider because we can not verify the TIN.

8. Requirements such as 1, 3 and 4 suggest some frequency of rate corrections/adjustments, how far back can retro-payroll adjustments be made? Can they occur across tax year?

Yes, they go back as far as the statute of limitations has an open tax year. Corrections can be made to W2s and 1099s. W2cs will be issued as well as corrected 1099s. When this occurs the IRS and SSA receive an electronic file and the corresponding 941 is also corrected.

Per Washington law, the provider has up to a year to make a claim for payment. This can occur across a fiscal year (July 1 – June 30) or a calendar/tax year (January 1 – December 31). Exceptions beyond the one year claims limit are allowed when a department payment error is identified or a legal process has occurred that orders the

department to pay. These exceptions are currently handled outside of the department's payment system.

9. Requirement # 5 sounds simple, but frequently overtime payment rules can become complex. What are the rules related to hours in excess of 40 per week or 8 per day; how is overtime handled for work on holidays, Saturdays, Sundays, etc?

Although overtime has been proposed in collective bargaining agreements, overtime is not currently paid to providers of social services (there is currently state RCW prohibiting overtime pay for this set of providers). Flexibility to handle overtime requirements, if the need occurs in the future, is desired.

**Flexibility to handle any new requirements related to personnel (HR) and payroll are desired out of the final product.**